

Testimony of Gerald Musarra
Co-Chair, Satellite Industry Association

on

WTO Telecom Agreement:

Results and Next Steps

Before the Subcommittee on Telecommunications, Trade, and
consumer Protection
House of Representatives

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Mr. Chairman and Members of the Subcommittee:

Opening

It gives me great pleasure to appear before you today as co-chair of the Satellite Industry Association (SIA). You have asked me here to testify on the recently concluded negotiations on Basic Telecommunications Services which were conducted under the auspices of the World Trade Organization (WTO). Let me begin by saying that we fully support the agreement that emerged from these negotiations, and that we consider it to be of great significance to the member companies of SIA. Extension of the multilateral trading regime to services generally, and to telecom services in particular, involves complex issues. These could not have been addressed satisfactorily without integrating the expertise of those in government responsible for both trade policy and telecom matters.

U.S.T.R. and the interagency negotiating team deserve much credit, as does the Congress for its strong bi-partisan support. In particular, I would also like to recognize your leadership, Mr. Chairman, as well as the support of Chairman Bliley and other Members of the Committee, and the important contribution of the members of the congressional staff delegation from this committee (and their Senate counterparts) who were in Geneva during the last week of the negotiations. On behalf of SIA, please allow me to convey our appreciation to you for their participation and support. Finally, I must also express our thanks to USTR, the Federal Communications Commission and the Departments of Commerce and State for the close consultation with our industry during these negotiations.

What is SIA

The Satellite Industry Association represents more than 20 US companies involved in all aspects of satellite-related business -- manufacturers, launch providers, and suppliers of domestic and international satellite services. U.S. companies manufacture over two thirds of the world's satellites, representing exports of \$1.2 billion last year. U.S. commercial launch companies launched 15 satellites in 1996 for service revenues of \$550 million. Satellites valued at over \$60 billion will be launched by the year 2000. U.S. companies are investing over \$7.6 billion to develop constellations that will provide mobile telecom services globally. Over 200 low-earth-orbit satellites for these systems are already on order.

Given its extraordinarily diverse membership, SIA can act as the industry voice on the full range of policy issues affecting that business. Our diversity and the need to operate on the basis of consensus necessarily imposes some limits on the number of issues to which we can speak, but I believe it also lends force to the organization's expressed views on issues.

Importance of Deal

The Agreement on Basic Telecommunications Services is one such issue, and it is of critical importance to all of our membership. As the traditional bright lines of distinction between manufacturers, launchers, and satellite service providers continue to fade, virtually all of our members have a strong, direct interest in the terms and conditions governing access to the markets served by existing or planned regional and global satellite systems.

Satellite systems offer the same vast array of basic and advanced telecommunications services as terrestrial infrastructure; however, satellite networks can result in instantaneous regional or global coverage offering service to both developed and developing countries, rural and high-density areas. Because of these capabilities, projects for global and regional systems dominate the future growth of the industry.

The implementation and operation of these systems will involve the active participation of players in both developed and developing countries through the creation of multinational consortia, as well as a variety of partnerships and supplier relationships. But the US has a strong interest in the success of these systems, proceeding as they do in large part from US technological leadership and business expertise - and that success is clearly premised on widespread market access. Thus, concerns about the policies and processes governing access to and the provision of services within the multiple markets to be served by satellite systems has been a high industry priority.

The Need for a Multilateral Approach

The satellite industry concluded that the preferred approach to addressing these concerns was through a multilateral process -- and specifically through the extension of the GATS to telecom services. This approach stood the best chance of establishing a

framework for achieving two strongly inter-active objectives -- comprehensive market access and principles to facilitate the kind of regulatory treatment that make the concept of "access" truly meaningful for satellite operators.

One of the unique characteristics of satellite systems is their ability to link users across the globe, no matter their geographic location. Without ready access to users in the markets that can be served by these systems, their cost-effectiveness is undermined and the benefits they can provide to consumers are diminished. It is important to keep in mind that the value of any global or regional satellite system to its users increases with each additional country in which services are available. Moreover, the unique qualities that make satellites so suited for the delivery of advanced communications for peoples' everywhere, also make them dependent on regulatory action by multiple administrations. Indeed, to achieve the promise of regional/global systems, appropriate authorizations must be obtained from each country to be served. Hence, the multilateral approach to market access and regulatory issues is a tremendous benefit to the industry and it is our hope that, with the continued support and leadership of the Congress, the Administration and the Federal Communications Commission this agreement creates momentum for continued improvements to countries' commitment to market access and fair regulatory treatment.

Agreement had to be a Good One

Despite our enthusiasm for a multilateral approach, the industry was not prepared to support just any multilateral deal. In fact, I think it was fair to say that no deal would have been better than a bad one. There needed to be a balanced agreement that set a proper framework for worldwide liberalization in a timely manner, including enforcement rights. We believe that is what was generally achieved.

The industry also concluded that this exercise should not involve an attempt to create a different regime for satellites. Rather, our preference was that offers intended to open markets for particular telecommunications services be open to any technology -- fiber, cellular, or satellite, for example -- capable of delivering the liberalized services.

We also attached great importance to the pro-competitive regulatory principles contained in the Reference Paper -- fair interconnection rules, an independent regulator, nondiscriminatory allocation and use of scarce resources (i.e., spectrum), transparent licensing criteria and competitive safeguards. These principles, agreed to by 55 countries, are essential to ensuring that meaningful market access is available in these countries. Given the importance of these pro-competitive principles to meaningful market access, we believe that USTR deserves to be highly commended for the successful negotiation of these principles within an enforceable trade agreement.

October - Briefing

In October of last year, the satellite industry was afforded an unprecedented opportunity to make its case directly to the foreign trade delegates at the WTO in Geneva. There were widely-held misperceptions and uneasiness in many countries concerning the satellite issues, as well as an impression that the satellite industry did not support a WTO deal. In an effort to counter those impressions, the satellite industry (which is comprised of fierce competitors) joined efforts to develop a consensus presentation for the WTO delegates to emphasize our strong interest in being included within the scope of the negotiations and, ultimately, any market access agreement.

At this trade briefing, we sought to educate the negotiators on the benefits of satellite systems and the importance of an agreement that included satellites. In addressing over 80

trade delegates from approximately 35 foreign countries, we were able to clarify our serious interest in and support for an agreement.

Result -- Better Offers

We believe that the October briefing was instrumental in helping to secure clear market access commitments from 56 countries for satellite services and facilities; 50 of which did so on a completely unconditional basis. I emphasize the importance of the clarity of the commitments in February because previously, in April 1996, there were only 5 offers on the table that explicitly addressed satellites. It was very unclear whether satellites were included within the scope of the remaining offers on the table -- this confusion existed not only within the satellite industry, but also within many WTO trade delegations.

Agreement not Comprehensive

We believe that this multilateral agreement provides a far more receptive environment in which to implement satellite systems and provide satellite services, offering significant advantages over the previous piecemeal approach. Nevertheless, while the agreement is a significant achievement, it is not comprehensive. First, enormous telecommunications markets -- Russia and China, for example -- are outside the reach of this WTO multilateral agreement. Second, while many countries made good offers on satellites, there is clearly room for improvement in many countries' commitments. SIA encourages USTR to continue their work to elicit new and improved commitments from WTO member countries and we offer our support for this ongoing exercise leading up to the next round of negotiations in the year 2000.

Nonetheless, the far-reaching consequences of this agreement in establishing a framework that can form the basis for a continuing process of progressive trade liberalization should not be underestimated. Not only does this agreement set the course

for future improvements from participating countries, but it also serves as a baseline either for WTO countries that did not participate in these negotiations or for **non-WTO** countries seeking future accession to the WTO.

Timely/Effective Implementation

The successful conclusion of the recent negotiating round shifts the focus now to implementation, and there is much work to be done. We in the satellite industry are anxious to see timely and effective implementation of the agreement worldwide, including in the United States. Fortunately, the United States is in the rather unusual position of having already implemented some of the more challenging commitments in the Reference Paper, such as an independent regulatory body, transparent processes, and fair rules of interconnection. We encourage the United States Government, particularly the FCC, to undertake in a timely manner the proceedings deemed necessary to complete implementation of the US trade commitments on basic telecommunications services. We would like to assist in anyway we can -- whether with implementation in the United States or facilitating implementation in other countries. Finally, we want to commend USTR, the FCC and the Departments of Commerce and State for their efforts to educate other countries on **these** issues, and we fully support their continued joint efforts to encourage and facilitate implementation of the WTO agreement in other countries.

Conclusion

This agreement is the culmination of strong leadership both by the Administration and Congress. In March of 1994, the Vice-President set the stage in Buenos Aires by calling upon countries to join with the United States in creating an environment supporting the development of a Global Information Infrastructure. You, the Members of Congress, led by example, in enacting the landmark Telecommunications Act of 1996 which embodies the principles subsequently agreed to in the WTO.

Mr. Chairman, I thank you again on behalf of the Satellite Industry Association for the opportunity to appear before this Subcommittee and testify about the successful WTO Agreement on Basic Telecommunications Services. This concludes my testimony and I would be happy to answer any questions that you may have.



GERALD MUSARRA

Gerald Musarra is Co-Chair of the Satellite Industry Association (SIA), an organization representing 20 leading US commercial satellite manufacturers, service providers, and launch services companies. SIA was formed in April 1995 to represent the consensus views of the US commercial satellite industry.

Mr. Musarra is also Senior Director for Commercial Policy and Regulatory Affairs, Lockheed Martin Space and Strategic Missiles Sector. He coordinates all domestic and international policy and regulatory matters related to the Sector's commercial space activity, including satellite and launch licensing, export promotion and regulation, and trade.

He brings to the company more than 16 years of professional experience in space and telecommunications issues. From 1979-1981, he worked on a wide range of telecommunications issues in the National Affairs office of National Public Radio. In 1981, he entered government service as an Honors Attorney in the Office of the Secretary of Transportation, later becoming the first Program Counsel to the DOT's newly-formed Office of Commercial Space Transportation.

In 1990, Mr. Musarra moved to the Office of the United States Trade Representative where, as Director of Space Industry Trade Policy, he managed all launch and satellite trade issues. In August 1993, Mr. Musarra became Senior Director for International Affairs at the White House National Space Council/Office of Science and Technology Policy. In that position he was responsible for coordinating US commercial and international space policy. His areas of special attention included post-Cold War US/Russian space cooperation, including Russian participation in the international space station; commercial launch trade; and issues related to US-proposed global mobile satellite systems.

Mr. Musarra served as a member of numerous US trade and telecom delegations during his government career. More recently, he was a member of the US delegation to the 1994 ITU World Telecom Development Conference, the 1995 World Radiocommunication Conference, and the 1996 ITU Policy Forum. Mr. Musarra received his Bachelor of Arts and Juris Doctor degrees from Georgetown University, and his Master of Arts degree in Media Studies from New York University. He is a member of the State Bar of New York.